

HOUSE BILL REPORT

SHB 2402

As Passed Legislature

Title: An act relating to a property tax exemption for property owned by a nonprofit organization and used for the purpose of a farmers market.

Brief Description: Concerning a property tax exemption for property owned by a nonprofit organization and used for the purpose of a farmers market.

Sponsors: House Committee on Finance (originally sponsored by Representatives White, Rolfes, Armstrong, Haler, Nelson, Roberts, Maxwell, Dickerson, Crouse, Jacks, Walsh, Wallace, Sells, Ormsby, Kenney, Williams, Blake, Chase, Morris, Campbell, Appleton, Carlyle, Conway, Bailey, Hope and Haigh).

Brief History:

Committee Activity:

Finance: 1/15/10, 2/9/10 [DPS].

Floor Activity:

Passed House: 2/12/10, 97-0.

Senate Amended.

Passed Senate: 3/3/10, 46-1.

House Concurred.

Passed House: 3/6/10, 94-0.

Passed Legislature.

Brief Summary of Substitute Bill

- Exempts from property tax the real and personal property of nonprofit organizations operating public assembly halls or meeting places for the purpose of a farmers market.
- Exempts from property tax church property loaned or rented to a nonprofit organization for the purpose of a farmers market.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Hunter, Chair; Hasegawa, Vice Chair; Orcutt,

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Ranking Minority Member; Parker, Assistant Ranking Minority Member; Condotta, Conway, Ericks, Santos and Springer.

Staff: Susan Howson (786-7142).

Background:

All property in this state is subject to property tax each year based on the property's value unless a specific exemption is provided by law.

Several property tax exemptions exist for nonprofit organizations. Facilities of the following organizations are eligible for property tax exemptions: character building, benevolent, protective or rehabilitative social service organizations; churches and church camps, youth character building organizations, war veterans organizations, national and international relief organizations, federal guaranteed student loan organizations, blood, bone, and tissue banks; public assembly halls, medical research or training facilities, art, scientific, and historical collections; sheltered workshops, fair associations, humane societies, water distribution property, schools and colleges, radio/television rebroadcast facilities, daycare centers, free public libraries, orphanages, nursing homes, hospitals, outpatient dialysis facilities, homes for the aging, day care centers, performing arts properties, homeless shelters, and blood banks.

Public Assembly Halls or Meeting Places.

Nonprofit public assembly halls or meeting places are exempt from property taxes. To qualify for the exemption the property must be used for public gatherings and be available to all organizations or persons desiring to use the property.

Generally, the property cannot be rented out for a business purpose (pecuniary gain) except for no more than 15 days each year. The collection of rent, donations, or income received from the use of the property for pecuniary gain must be used for capital improvements of the exempt property, maintenance and operations, or exempt purposes. The tax exempt status of the property is not affected by use of the property for fundraising activities conducted by a nonprofit organization.

Churches.

The property tax exemption available for churches is limited to five acres including grounds covered by the church, parsonage, convent, maintenance buildings, and parking. Unoccupied ground cannot exceed one-third acre (120 by 120 feet). Church property may be loaned or rented to nonprofit organizations for charitable purposes if the rent received for the use of the property is reasonable and does not exceed maintenance and operation expenses.

Summary of Substitute Bill:

Public Assembly Halls or Meeting Places.

Nonprofit organizations operating public assembly halls or meeting places may retain their exemption from property taxation if used by qualifying farmers markets for not more than 53 days each assessment year. Income from rental or use by qualifying farmers' markets must be used for capital improvements, maintenance and operation, or exempt purposes.

Churches.

Church property loaned or rented to a nonprofit organization for use by a qualifying farmers market is exempt from property taxation. Use for this purpose may not occur more than 53 days each assessment year. Rental income must be reasonable and devoted solely to operation and maintenance of the property.

Qualifying Farmers Market.

A "qualifying farmers market" is the same as defined in current law for domestic wine sales at farmers markets. A qualifying farmers market is an entity that sponsors a regular assembly of vendors at a defined location for the purpose of promoting the sale of agricultural products grown or produced in Washington directly to the consumer. Several minimum requirements must be met including: (1) at least five participating vendors are farmers selling their own agricultural products; (2) the total combined gross annual sales of vendors who are farmers must exceed the total combined gross annual sales of vendors who are processors or resellers; (3) the total combined gross annual sales of vendors who are farmers, processors, or resellers must exceed the total combined gross annual sales of vendors who are not farmers, processors, or resellers; (4) the sale of imported items and secondhand items by any vendor is prohibited; and (5) no vendor is a franchisee.

Limited Term.

The act applies to taxes levied for collection in 2011 through 2020. The exemptions expire on December 31, 2020.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) This bill has a small fiscal impact to the state, but makes a huge difference to local organizations. Washington has a rich history of agriculture and farmers bringing their goods directly to consumers. Currently, there are over 100 farmers markets across Washington. If these organizations are required to pay property tax, it would have a devastating effect on local farmers markets. These farmers markets do not run all year long, but are taxed on a full-years basis. Farmers markets provide local economic stimulus, and they support the well being of our communities and farmers.

(Opposed) None.

Persons Testifying: Representative White, prime sponsor; Dorothy Lengyel, University Heights Community Center; Brent Olsen, Olsen Farms; Chris Curtis, Neighborhood Farmers Market Alliance; Jeff Herman, Spokane Farmers Market; Craig Goodwin, Millwood Presbyterian Church; Steve Hallstrom, Let US Farm LLC; Patrice Barrentine, Department of

Agriculture; Jackie Alchison, Washington State Farmers Market Association; and Wade Bennett.

Persons Signed In To Testify But Not Testifying: None.